

**SCHOOL BUDGET REVIEW COMMITTEE[289]**

**Adopted and Filed**

Pursuant to the authority of Iowa Code section 257.30, the School Budget Review Committee hereby amends Chapter 6, “Duties and Operational Procedures,” Iowa Administrative Code.

The amendments account for changes in statute, as well as in accounting terminology or procedures. Specifically, the law changed the procedures on cash reserve levy and what the School Budget Review Committee (SBRC) must consider before granting modified allowable growth.

A waiver provision is provided in 289—Chapter 8.

Notice of Intended Action was published in the Iowa Administrative Bulletin on November 2, 2011, as **ARC 9818B**. A public hearing was held on November 22, 2011, and public comments were allowed until the end of that day. The Committee received public comments from two school business officials, as well as from the Iowa Association of School Boards (IASB), Iowa Association of School Business Officials (IASBO), and Urban Education Network (UEN). As a result of some of the public comments, the following changes have been made since publication of the proposed amendments under Notice of Intended Action:

- The proposed amendment to the title of the chapter was not adopted. (This proposed amendment appeared as Item 1 of the Notice. Accordingly, all Items in this Adopted and Filed rule making have been renumbered.)

- The time frame in paragraph 6.3(1)“b” for submitting a request to the Committee for a hearing will remain one month. The proposed amendment, which suggested six weeks for this time frame, was not adopted.

- The amendment in paragraph 6.3(3)“a” has been changed to allow school corporations to provide hearing materials in any format that can be cut and pasted into official documentation, rather than specifying that the materials be provided in a non-PDF format. Also in this paragraph, the word “shall” in the penultimate sentence has been changed to “may.”

- The words “of publication” have been removed from new paragraph 6.3(3)“b.”

- The proposed new sentence in paragraph 6.3(3)“c” was not adopted.

- The word “administrative” in subrule 6.3(4) has been changed to “school corporation.”

- New paragraph 6.3(6)“d” has been limited to two items that “shall” be considered by the Committee; other items included in paragraph 6.3(6)“d” in the Notice are now included in new paragraph 6.3(6)“e” as items that “may” be considered by the committee.

- Proposed new paragraphs 6.3(8)“c,” “f,” and “g” were not adopted, and the remaining paragraphs were relettered accordingly. Rellettered paragraphs 6.3(8)“a” and “d” have been changed to clarify for what costs and in what budget year the Committee will consider requests for modified allowable growth, and rellettered paragraph 6.3(8)“c” has been changed to clarify that modified allowable growth requests may be brought before the Committee for unusual, unique or unforeseeable circumstances for prior years in addition to the current year.

- The proposed amendment to the introductory paragraph of rule 289—6.4(257) and the proposed rescission of subrule 6.4(1) were not adopted. However, the text that would have become the introductory paragraph of rule 289—6.4(257) has been revised and adopted as new subrule 6.5(2) in Item 8 herein. The striking of the existing text in subrule 6.4(2) as published under Notice was adopted, but a new sentence has been added to the subrule.

- A reference to the Uniform Financial Accounting for Iowa LEAs and AEAs has been added to subrule 6.5(1), and the proposed new sentence at the end of that subrule was not adopted.

- The first new sentence in subrule 6.5(3) as published under Notice was not adopted.

- New paragraph 6.5(4)“e” was not adopted.

- New subrule 6.5(5) as proposed in the Notice was not adopted; however, the proposed rescission of existing subrule 6.5(5) was adopted.

- The proposed rescission of rule 289—6.7(257) was not adopted. No changes have been made to that rule.

- New rule 289—6.10(257) has been changed to permit, rather than require, a reversion of year-end special education support services fund balances that exceed 10 percent of the special education support services expenditures for that fiscal year and to permit, rather than require, a reduction of the fund balances to 10 percent.

Other comments received but regarding which no changes were made include the following:

- IASB stated that subrules 6.3(2) and 6.3(3) as amended give the SBRC an implied subpoena power (forced attendance) not authorized in statute.

**SBRC response:** Iowa Code gives the SBRC the authority to require information to be provided and school corporations to appear. See Iowa Code sections 257.30 (“The committee may call in school board members and employees as necessary for the hearings.”) and 257.31(1) (“The school budget review committee may...direct the director of the department of education or the director of the department of management to make studies and investigations of school costs in any school district.”). Studies of costs are a primary responsibility of the SBRC as enacted in Iowa Code section 257.31(10) (“The committee shall take into account the intent of this chapter...to decrease the percentage of school costs paid from property taxes, and to provide reasonable control of school costs.”). Iowa Code section 257.31(11) (“Failure by any school district to provide information or appear before the committee as requested for the accomplishment of review or hearing is justification for the committee to instruct the director of the department of management to withhold any state aid to that district until the committee’s inquiries are satisfied completely.”) shows the level of importance that is attributed by the Legislature to the requirement that school districts provide information and appear personally before the Committee. This same information is in statute regarding AEAs in Iowa Code section 257.31(4). The Committee is not seeking to gather unnecessary information. For example, in order to conduct studies, the SBRC needs to be able to obtain the information related to that study. In order to conduct a Phase II visit of a school district, the SBRC needs to be able to obtain reorganization plans from the AEA. Should the need arise to study the costs of supplementary weighting, the SBRC needs to be able to obtain information provided to districts by community colleges on concurrent enrollment classes. When districts appear at a hearing because of a reorganization of another district, the SBRC needs the terms of the division of assets and liabilities from the reorganized district.

- IASB commented that there is no statutory authority for subrule 6.3(5) given to the SBRC to direct the Department of Management to withhold state aid to a school district that fails to file its certified annual report (CAR) by the September 15 deadline because only the Department of Education and the Department of Management have authority to enforce the manner, procedures and dates by which reports must be filed.

**SBRC response:** September 15 is not mentioned in this rule regarding the CAR due date. Instead the rule refers to the procedures and dates prescribed by the Department of Education and Department of Management. The September 15 due date has already been established in 281—Chapters 59, 60 and 97 of the Iowa Administrative Code.

- IASB also commented that the 2008 CAR Report Study recommends that the CAR due date be changed to a later date, following the completion of the audit.

**SBRC response:** Although districts may prefer delaying filings, doing so is not supported by best practice or by the recent study by GASB on timeliness and usefulness of financial data. The date has already been established by rule. In addition, the audit is required to examine the CAR that was filed. That examination would not be possible if the audit were completed first.

- IASB commented that subrule 6.5(3) appears to require that school districts resubmit reports/information to the SBRC that the Department of Education or Department of Management currently possesses.

**SBRC response:** This is an incorrect reading of the rule. The rule requires all districts to calculate their unspent balances, but only those districts that have negative unspent balances must contact the SBRC and begin working on their corrective action plans. This is current practice. Districts are responsible for knowing their own financial condition, and it is not appropriate for the districts to rely

on the Department of Education or Department of Management to tell them how they are doing fiscally at the local level. Districts should know their unspent balances at least as soon as they file their CAR and special education supplements to the CAR (SES), if not much earlier in the school year.

- IASBO objected to the language in paragraph 6.5(4)“b” “or is in excess of the amount necessary for operations” and wanted only the 20 percent requirement to be followed.

**SBRC response:** This language is from Iowa Code section 298.10.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code sections 257.30, 257.31, 273.2, 273.3, 282.30, 282.31, and 298.10.

These amendments will become effective May 23, 2012.

The following amendments are adopted.

ITEM 1. Adopt the following new definitions in rule **289—6.1(257)**:

“*Area education agency*” or “*AEA*” means a regional service agency organized under Iowa Code chapter 273 that provides school improvement services for students, families, teachers, administrators, and the community.

“*Basis of accounting*” means the accrual or modified accrual accounting basis under generally accepted accounting principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB).

“*Basis of budgeting*” means the accrual or modified accrual budgeting basis under GAAP as defined by GASB.

“*Class action*” means a situation that applies to multiple districts with the same or substantially similar needs and the SBRC has determined that the districts can be considered jointly in a single hearing.

“*Community college*” means a publicly supported school organized under Iowa Code chapter 260C.

“*Modified allowable growth*” means an amount expressed in dollars which is added to the district’s authorized budget.

“*School corporation*” means a school district, area education agency, or community college.

ITEM 2. Rescind the definitions of “Actual enrollment,” “Additional enrollment,” “Allowable growth,” “Basic enrollment for a budget year,” “Basic enrollment for the base year,” “Budget adjustment,” “Budget enrollment for the budget year,” “Combined district cost per pupil,” “Combined state cost per pupil,” “Property tax adjustment,” “Regular program district cost,” “Special needs adjustment,” “State percent of growth,” and “Weighted enrollment” in rule **289—6.1(257)**.

ITEM 3. Amend the following definitions in rule **289—6.1(257)**:

“*Authorized budget*” is means the total dollars available as the expenditure limit for a school district for a specific fiscal year. This total is the combined district cost plus miscellaneous income actually received during the fiscal year, plus the unspent balance of the previous year.

“*Certified budget*” is means the (document)-~~amount~~ which has been published and certified as provided for in Iowa Code chapter 24 and contains the amount proposed to be expended during the budget year. ~~If the authorized budget exceeds the certified budget, the certified budget must be amended to expend those excess funds.~~

“*Expenditures*” means the total amounts paid from the general operating fund of a school ~~district~~ corporation.

“*Miscellaneous income*” means the receipts deposited to the general operating fund of the school district but not including any of the following:

1. Foundation aid.
2. Revenue obtained from the foundation property tax as defined in Iowa Code section 257.3(1).
3. Cash reserve levy.
4. Revenue obtained from the additional property tax under Iowa Code section 257.4.

“*Unexpended cash fund balance*” is means the school district’s or AEA’s ~~cash position at any given time~~ fund balance in the general fund reported by the school district or AEA on the GAAP basis of accounting on its certified annual report. ~~(It does NOT have a direct relationship to the “unspent balance carried forward.”)~~

“Unspent balance” is means the amount of the authorized budget for the general fund less the amount not expended during the budget year on the GAAP basis of budgeting as reported by the school district on its certified annual report. (These funds are also commonly termed “unspent balance carried forward,” or “carryover dollars.”)

ITEM 4. Amend rule 289—6.3(257) as follows:

**289—6.3(257) Hearing procedures.**

**6.3(1) Request for ~~appearance~~ hearing.**

~~a. A school district~~ The board of a school corporation requesting an ~~appearance~~ a hearing before the SBRC is required, after taking official board action on the subject of the hearing, to submit a ~~written~~ an electronic request to the committee stating the reason for the ~~appearance~~ request for a hearing. Confirmation of each request will be sent to the school district upon receipt of the request.

~~b. No change.~~

~~c. School districts~~ corporations with similar requests may appear and present their requests jointly at the discretion of the SBRC chairperson.

**6.3(2) Notification ~~to districts~~.**

~~a. School districts~~ scheduled for hearings will be notified three weeks prior to the hearing. An electronic confirmation of each request shall be provided to the school corporation upon receipt of the request for hearing.

~~b. The SBRC may require board members or employees of any school corporation to appear. School corporations required to have a board member or employee appear shall be notified no later than three weeks prior to the hearing.~~

~~b. c. School districts~~ corporations scheduled for hearings ~~will shall be listed as to time and place, and notice will be sent to school officials involved not~~ notified no later than ~~two weeks~~ one week prior to the hearing.

~~c. d. A school district~~ corporation desiring to withdraw its request to appear before the SBRC ~~should shall~~ immediately inform the committee, ~~local media, and the legislators within whose constituency the school corporation is located.~~ A school corporation required to appear may not withdraw without the approval of the SBRC.

**6.3(3) Material for ~~agenda~~ the hearing.**

~~a. Any information requested by the committee must be provided by the school district within the timelines requested by the committee in order for the school district corporation to be included on the agenda schedule for a hearing. Ten One original and 11 copies of written material, and one full set of the materials provided electronically in a format that can be cut and pasted into official documentation, shall be submitted at least two four weeks prior to the scheduled hearing. A summary not to exceed two pages of the school district’s request must be submitted to the committee. The SBRC chairperson may set an earlier due date for information if necessary for adequate review based on the quantity or complexity of hearings. If a school corporation’s exhibits for a hearing the school corporation has requested are not received timely, the school corporation’s hearing may be postponed to the next following regularly scheduled session. Where applicable, the committee will provide forms or checklists to school corporations to obtain uniform and comparable data for determining committee decisions.~~

~~b. School corporations shall include in their materials for the hearing a copy of the board minutes that include the official action taken by the applicable school corporation board on the subject of the hearing and authorizing the school corporation’s administrative officials to request modified allowable growth or use of the unexpended fund balance.~~

~~b. c. It shall be the responsibility of the administrative officials and board members to present information and materials in support of the school district’s~~ their school corporation’s request to the committee in a timely manner.

~~d. The SBRC may require staff of the department of education or department of management to appear or provide information for a hearing or for a study. The SBRC may require staff of any school corporation to provide information for a hearing related to another school corporation or for a study.~~

e. In order for the SBRC to have the information necessary to evaluate balances and budgets as required by the Iowa Code or to evaluate materials submitted by school districts or AEAs, all school districts and AEAs shall file financial and enrollment reports, including the certified annual report, in the manner, by the procedures, and by the dates prescribed by the department of education or department of management.

f. If the requirements in paragraph 6.3(3)“e” are not met, the SBRC may implement the procedures described in subrule 6.3(5).

g. Applications for any supplemental aid funding shall be filed by the due date established in the Iowa Code, an administrative rule, or otherwise by the department of education or department of management.

h. Applications for modified allowable growth for increased certified enrollment over the prior year’s enrollment, applications for modified allowable growth to pay tuition costs for open-enrolled-out students who were not enrolled in the district on the certified enrollment date in the prior year, and applications for modified allowable growth for excess costs of instructional programs for limited English proficient students must be received no later than December 1 of the budget year.

i. Applications for modified allowable growth for returning dropout and dropout prevention programs shall be filed by December 15 of the base year.

j. Requests to charge administrative costs to the special education program for the subsequent fiscal year must be received no later than February 1 of the base year.

k. Applications described in paragraphs 6.3(3)“g” and “i” that are not timely filed will not be considered for supplemental aid or for modified allowable growth. Applications described in paragraphs 6.3(3)“h” and “j” that are not timely filed may be considered at the discretion of the SBRC.

**6.3(4)** *Permission to speak during the hearing.* Any person wishing to appear before the committee, other than the board member or school corporation employee representing the school corporation, shall submit a request in writing prior to the hearing date. Permission may be granted to a request made at the hearing upon a majority vote of the committee members present.

**6.3(5)** *Failure to appear or to provide information.* If any school corporation fails to appear as required by the committee or fails to provide any information requested by the SBRC, including the reports described in paragraph 6.3(3)“e,” the SBRC may direct the director of the department of management to withhold state foundation aid until the school corporation complies with the SBRC’s request. When the school corporation satisfactorily complies with the SBRC request, the withheld state foundation aid will be released and paid to the school corporation with the next regularly scheduled payment of foundation aid.

**6.3(5) 6.3(6)** *Decisions by the committee.*

~~a. A decision shall be made no later than the end of the day of the hearing to either table, deny, modify or grant an adjustment where a school district has made a request~~ the request of a school corporation shall be made no later than the end of the day of the hearing.

~~b. If the decision is made when the school district representatives are not present, the school district shall be informed of the decision by telephone the next working day following the hearing.~~

~~e. b. On all decisions, the~~ The school district corporation shall receive written confirmation electronic notification when a summary of the final action taken by the committee is posted on the SBRC Web site.

c. The committee shall consider the intent of Iowa Code chapter 257 in making its decisions. The intent includes the following:

- (1) Equalizing educational opportunities,
- (2) Providing good education to all Iowa children,
- (3) Providing property tax relief,
- (4) Decreasing the percentage of school costs paid by property tax, and
- (5) Providing reasonable control of school costs.

d. In addition to the requirements in Iowa Code section 257.31, the committee shall also consider in making its decisions the following:

- (1) The amount of unexpended fund balance available in all funds.

(2) The amount of unspent balance in the general fund.  
e. In addition to the requirements in Iowa Code section 257.31, the committee may consider the following if materials are requested or provided by the department or school corporation:

- (1) Local school district tax rates.
- (2) Local taxpayer support for the request.
- (3) Local effort to obtain alternative funding where available and applicable.
- (4) Documented actual costs of the program or project that is the subject of the request not otherwise covered by funding for the same program or need.
- (5) Sustainability of the program or need within the district or AEA budget without future requests.
- (6) Number and cost of previous requests for the same need and the number and cost of all previous requests.
- (7) Alternative procedures in the Iowa Code or administrative rules to provide funding for the same program or need.
- (8) Life safety issues other than those covered in Iowa Code section 257.31(6) documented through an independent, authoritative source.
- (9) Unusual or unique nature of the need.
- (10) Any other information the SBRC members consider pertinent to the consideration of the request.

~~6.3(6)~~ 6.3(7) Routine action by the committee. School ~~districts~~ corporations do not need to be represented when action under consideration is for such items as cash reserve levies, ~~gifted and talented, drop-out~~ returning dropout/dropout prevention programs, special education ~~negative~~ balances or other situations which ~~could be~~ are considered “~~class action~~” decisions class actions as determined by the SBRC.

6.3(8) Basic policies. The SBRC has established the following basic policies that it shall consider in rendering its decisions.

a. Modified allowable growth requests shall be considered only for costs up through the budget year, except where the Iowa Code expressly authorizes modified allowable growth to be granted for a subsequent year.

b. Modified allowable growth requests shall be considered only for expenditures permitted from the general fund pursuant to the Iowa Code.

c. Modified allowable growth requests may be brought before the committee for unusual, unique or unforeseeable circumstances.

d. Modified allowable growth requests shall be considered only to the extent of the actual, documented costs.

6.3(9) Use of the unexpended fund balance. If the SBRC approves use of the unexpended fund balance, the school district shall report to the committee as required by the committee an accounting of expenditures on the project until the project is completed. If any portion of the amount granted by the SBRC remains unexpended at the completion of the project, the school district shall notify the SBRC on or before the SBRC’s next regularly scheduled meeting. Any portion of the amount granted by the SBRC that remains unexpended at the completion of the project shall be returned to the unexpended fund balance in the general fund.

6.3(10) Modified allowable growth to an AEA. If the SBRC approves modified allowable growth for special education support services, approves an additional amount to be added to district costs for media services or educational services, or approves modified allowable growth for unusual circumstances, the amount shall be included in the budget of each district in the AEA for the subsequent budget year in the proportion that the appropriate enrollment of each district in the AEA bears to the total enrollment of all districts in the AEA.

ITEM 5. Amend subrule 6.4(2) as follows:

~~6.4(2) Report to general assembly.~~ Hearing decisions. The committee shall report to each session of the general assembly any recommended changes in laws relating to school districts and shall specify the number of hearings held annually, information about the amounts of property tax levied by school districts for a cash reserve, and other information the committee deems advisable. The committee

shall maintain its decisions for each hearing. Materials provided by the requesting school corporation, materials provided by the department of education or department of management regarding each request, and the decisions of the committee are available for access by the public, including members of the general assembly.

ITEM 6. Amend subrule 6.5(1), introductory paragraph, as follows:

**6.5(1)** *Generally accepted accounting principles.* All school districts and AEAs shall budget on the generally accepted accounting principles (GAAP) GAAP basis of budgeting beginning with fiscal year 2006-2007 as defined by GASB and as implemented in Uniform Financial Accounting for Iowa LEAs and AEAs (UFA). School districts and area education agencies shall use the chart of accounts defined in Uniform Financial Accounting for Iowa LEAs and AEAs (UFA). In order to effect this change in accounting/budgeting methods, the SBRC shall direct the departments of education and management to adjust calculations from the 2004-2005 certified annual report (CAR) related to the 2004-2005 unspent balances carried forward to the 2005-2006 unspent balances in order to hold districts harmless.

ITEM 7. Rescind paragraphs **6.5(1)“a”** to **“d.”**

ITEM 8. Rescind subrule 6.5(2) and adopt the following **new** subrule in lieu thereof:

**6.5(2)** *Accounting and reporting.* School districts and AEAs shall maintain financial records and prepare financial reports, including the certified annual report, in the manner and by the procedures prescribed by the department of education or department of management in the Uniform Financial Accounting for Iowa LEAs and AEAs (UFA) manual and GAAP. School districts and AEAs shall use the chart of accounts defined in Uniform Financial Accounting for Iowa LEAs and AEAs (UFA).

ITEM 9. Amend subrule 6.5(3) as follows:

**6.5(3)** *Negative unspent balances (exceeding authorized budgets).* If the school district has incurred a negative unspent balance, it shall notify the SBRC no later than October 15 and begin developing its corrective action plan to avoid future negative unspent balances.

*a.* A listing of the unspent balance as well as the unexpended ~~cash~~ fund balance of each school district for each fiscal year shall be reviewed by the committee. The unspent balance and the unexpended fund balance shall be presented on the GAAP basis.

*b.* No change.

*c.* The state board of education ~~shall~~ may be notified of the school districts with negative unspent balances each year. The notification shall include the amount by which the school district exceeded its authorized budget.

*d.* The board ~~members~~ president of ~~districts~~ each school district with a negative unspent ~~balances~~ balance shall be notified of the amount by which the school district exceeded its authorized budget. The school districts shall inform the SBRC at its the SBRC’s next official hearing regularly scheduled session of the plans that are being implemented to avoid future negative unspent balances.

*e.* The SBRC may require the district to continue to report progress on the district’s plans at regular intervals as determined by the committee until the committee is satisfied that the district’s financial condition concerns have been resolved.

ITEM 10. Amend subrule 6.5(4) as follows:

**6.5(4)** *Cash reserve levy.*

*a.* No change.

*b.* If in the committee’s judgment, the amount of a district’s cash reserve levy is unreasonably high or is in excess of the amount necessary for operations, the committee shall instruct the district to use the unexpended fund balance in lieu of levying property taxes and shall direct the director of the department of management to reduce that school district’s tax levy computed under Iowa Code section 257.4 for the following budget year by the amount the cash reserve levy is deemed excessive. limit that school district’s cash reserve levy to a level that is not excessive as determined by the committee and does not exceed the cash reserve limitation in paragraph 6.5(4)“c.”

*c.* Notwithstanding any other action approved by the committee, The cash reserve levies for the budget year (reference lines 15.9/15.10 of the Aid & Levy Worksheet) shall not exceed 25 20 percent

of the ~~(SAR reference Item I, column 9, cell 602) operating general fund expenditures for the year previous to the base year minus the (SAR reference Item J, column 1, cell 293) operating general fund unspent cash unexpended fund balance for the year previous to the base year.~~ The expenditures and the fund balances shall be determined on the GAAP basis. For purposes of this subrule, “unexpended fund balance” shall mean the combined assigned and unassigned fund balances in the general fund.

*d.* No change.

ITEM 11. Rescind and reserve subrule **6.5(5)**.

ITEM 12. Rescind and reserve rule **289—6.6(257)**.

ITEM 13. Adopt the following new rule 289—6.9(257):

**289—6.9(257) Special education administrative costs.**

**6.9(1)** When a school district presents evidence of unusual circumstances that would justify charging administrative costs to the special education program, the committee may authorize such expenditures.

**6.9(2)** The committee shall use the following criteria in evaluating the evidence presented by the district:

*a.* The school district has a separate facility for special education which has a sufficient student population to warrant a certified special education administrator. In this case, the district, after it has received approval from the SBRC, may bill the prorated cost to other resident districts as well as include the prorated portion related to its own resident students in the special education program expenditures.

*b.* The school district has one or more private facilities located within the district with a sufficient special education student population that is served by the district. In this case, the district, after it has received approval from the SBRC, may include the lower of the prorated actual administrative costs or the prorated approved administrative costs in the billing to other resident districts in proportion to each district’s resident students in the program, but shall not include the prorated portion related to its own resident students in the special education program expenditures.

ITEM 14. Adopt the following new rule 289—6.10(257):

**289—6.10(257) Area education agency budget review.** Year-end special education support services assigned and unassigned fund balances exceeding 10 percent of the special education support services expenditures for that fiscal year may be reverted and reduced to 10 percent. The AEA shall report the necessary information for this calculation on its certified annual report to the department. The committee shall review the recommended reversion calculated by the department of education and shall make a recommendation to the department regarding final amounts to be reverted. The components of fund balances shall be determined in compliance with department of education guidance and GAAP.

ITEM 15. Amend **289—Chapter 6**, implementation sentence, as follows:

These rules are intended to implement Iowa Code ~~section~~ sections 257.30, 257.31, 257.32, and 298.10 and chapter 260C.

[Filed 3/22/12, effective 5/23/12]

[Published 4/18/12]

EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 4/18/12.